

Legislative Services Agency Fiscal Services Division

Presentation to the Legislative Fiscal Committee

State of Iowa General Fund Budget Projection

December 13, 2013

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Legislative Services Agency Fiscal Services Division

- ❑ Projection is intended to provide a longer-term perspective of the General Fund budget to assist the General Assembly in evaluating future budget decisions.
- ❑ Revenues and appropriations are projected to FY 2020.
- ❑ Provides two alternative projections:
 - ❑ Base Scenario
 - ❑ Recession Scenario

Revenue Assumptions

Base Scenario

- ❑ FY 2014 and FY 2015 – Based on the October REC estimate
- ❑ FY 2016 – FY 2020 – Based on annual revenue growth of 3.8%. Equals the average adjusted annual growth for FY 2002 – FY 2013.
- ❑ Projected revenues adjusted for incremental changes for the various state tax credits listed in IDR's Contingent Liability Report.

Revenue Assumptions

Recession Scenario

- ❑ FY 2014 and FY 2015 – Estimates same as Base Scenario, uses the October REC estimate.
- ❑ Assumes a recession will impact the General Fund in FY 2016 and FY 2017, based on past economic cycles.
- ❑ Assumes negative revenue growth of 2.0% for both FY 2016 and FY 2017. Based on growth rates of the past four fiscal years that were impacted by two most recent economic recessions.
- ❑ Assumes a recovery for FY 2018 – FY 2020. Estimates based on annual revenue growth of 6.7%.

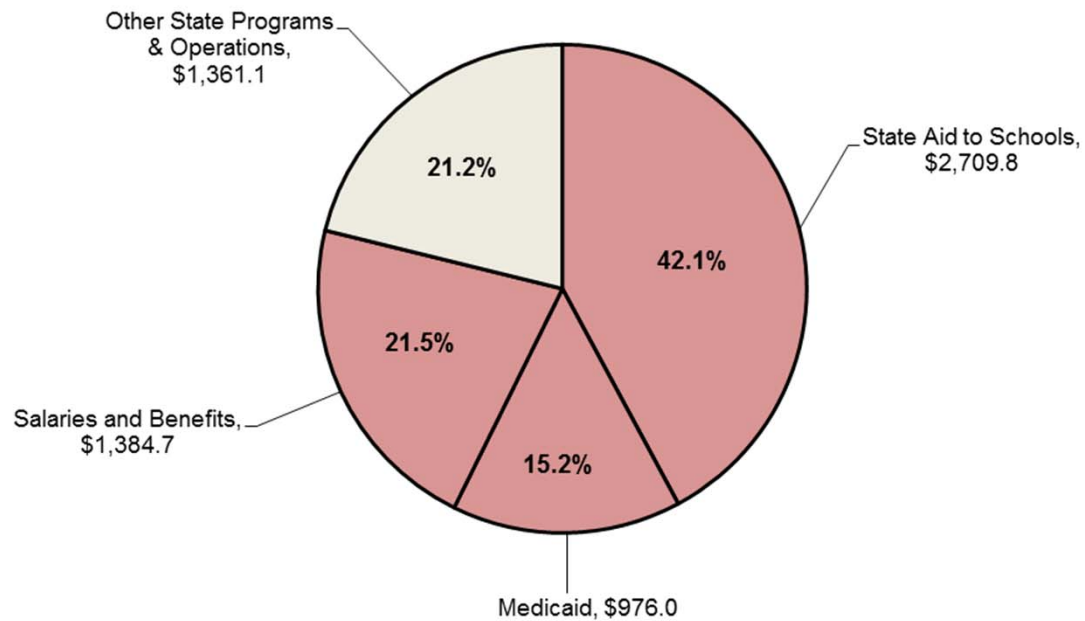
Appropriations

- ❑ Base level appropriations grouped into four broad categories:
 - ❑ State Aid to Schools
 - ❑ Medicaid
 - ❑ State Employee Salaries and Benefits
 - ❑ All Other Appropriations
- ❑ Two categories were added for the projection period:
 - ❑ Commercial Property Tax Act
 - ❑ Education Reform Act

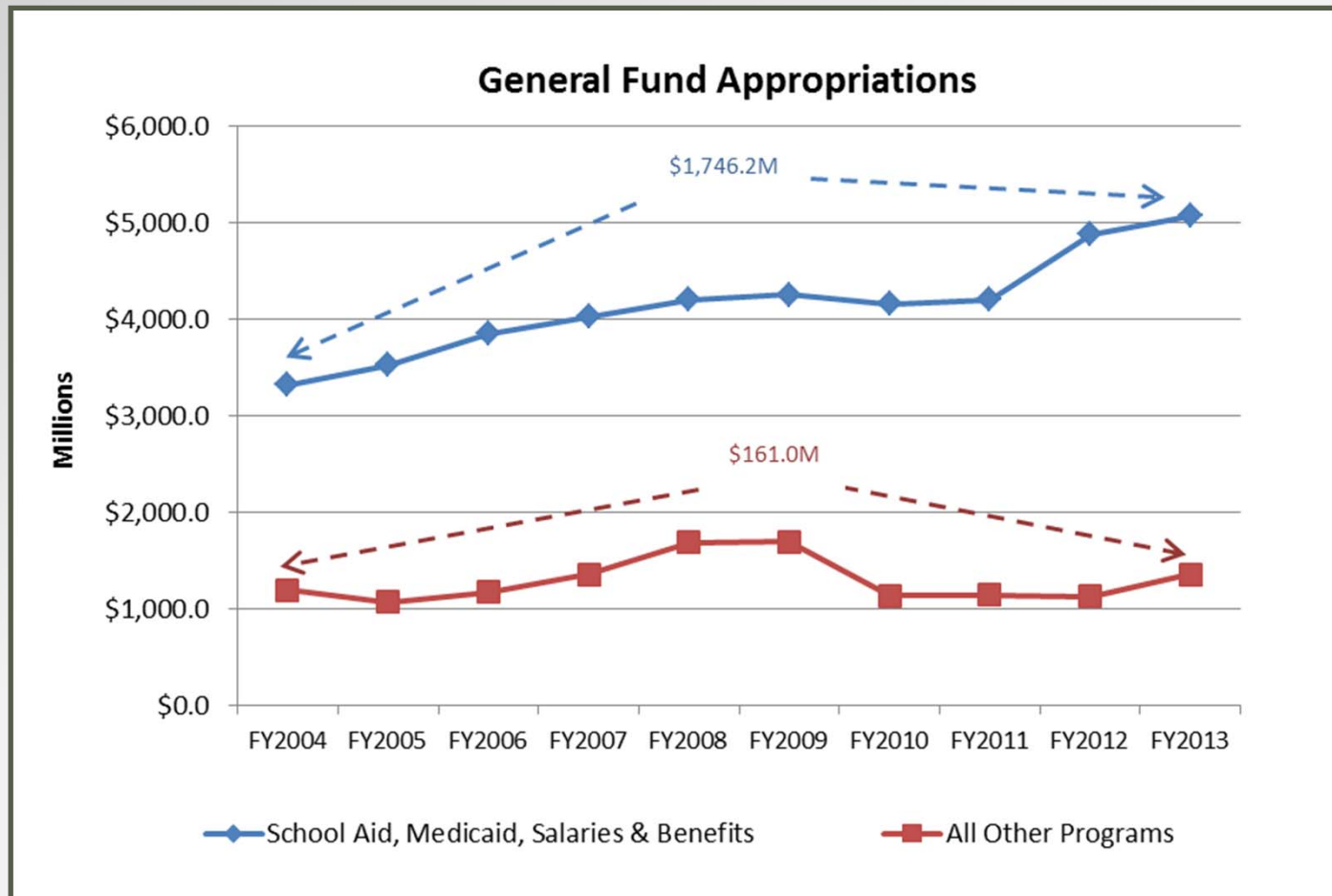
Appropriation Assumptions

FY 2013 General Fund Appropriations (Dollars in Millions)

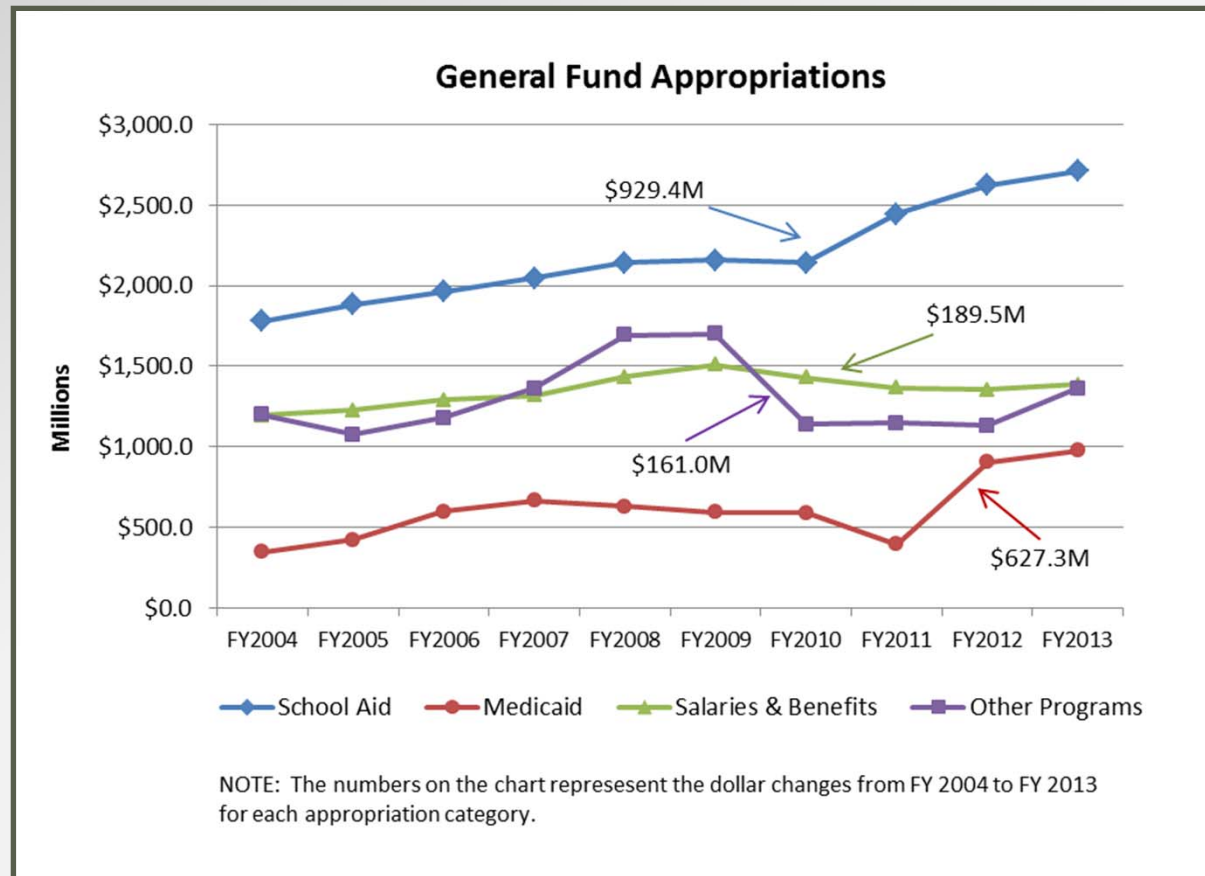
Total: \$6,431.6 million



Appropriations



Appropriations

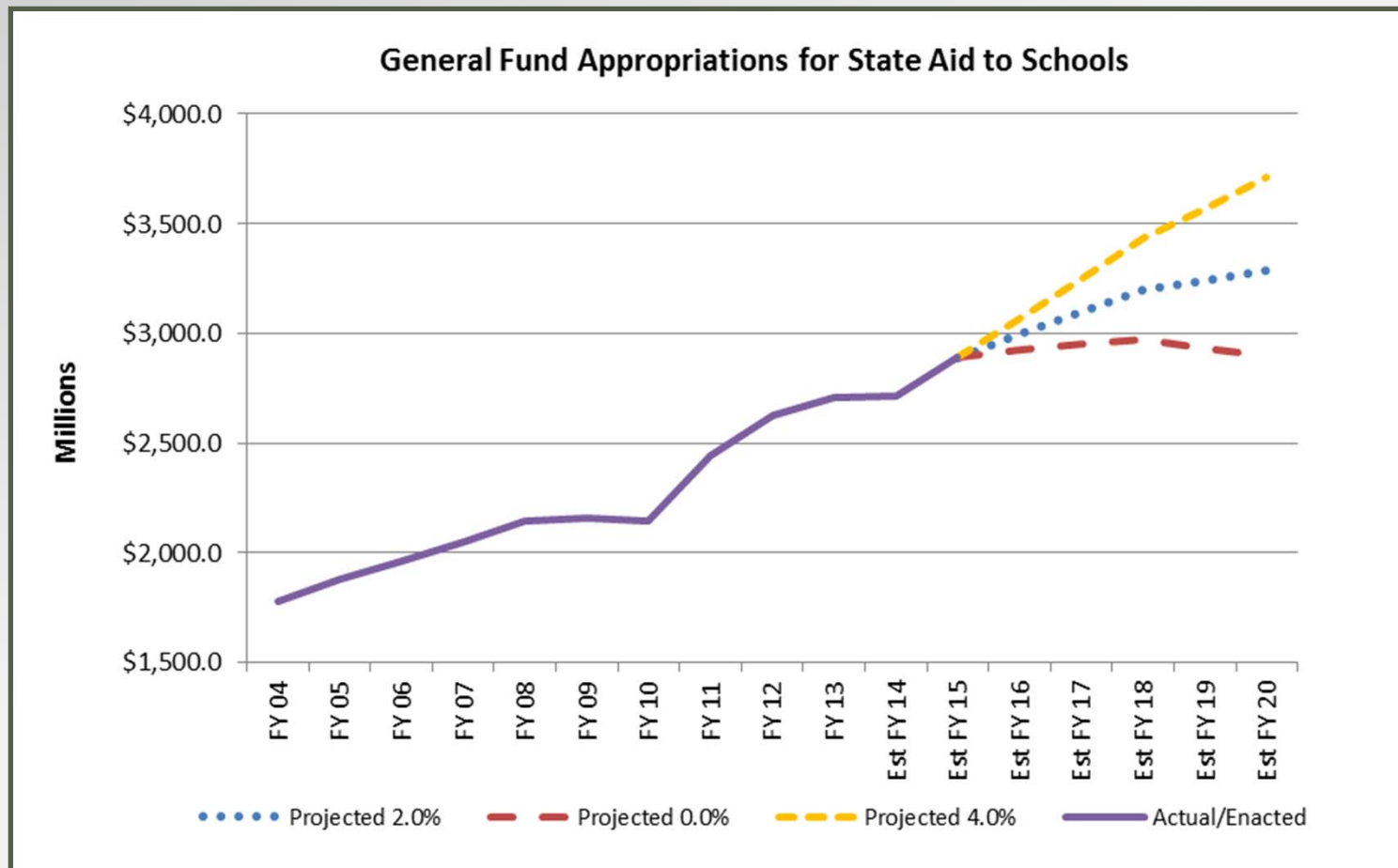


Appropriation Projections

State Aid to Schools

- ❑ Projection based on 2.0% State Percent of Growth. This equates to an average annual increase of 2.6% for the appropriation.
- ❑ Projection incorporates a portion of the Education Reform Act that rolls the Teacher Leadership Grants in the formula.
- ❑ A different State Percent of Growth (i.e., 0.0% or 4.0%) will cause substantial variance in the estimate of + or - \$400.0M.

Appropriation Projections

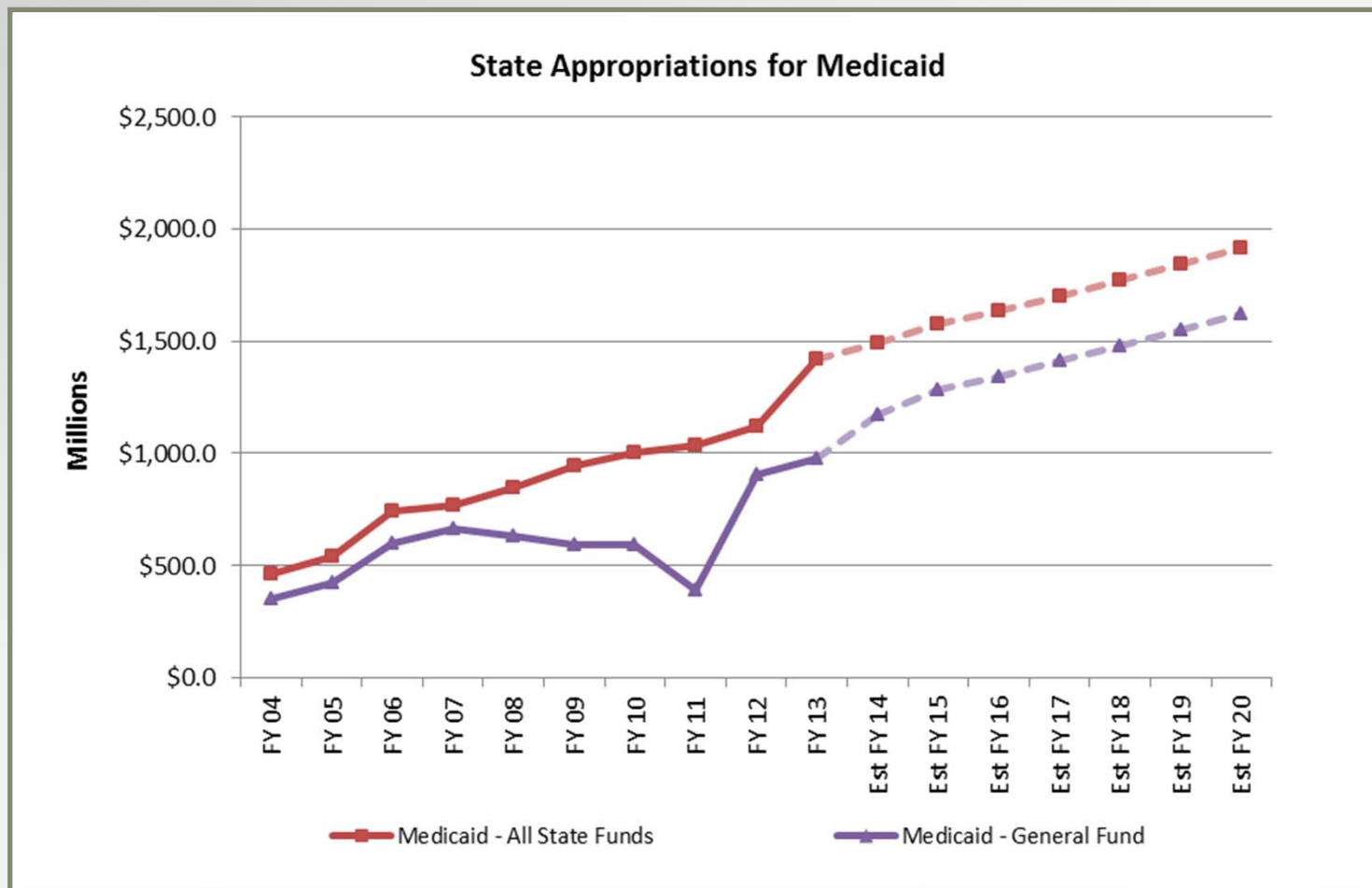


Appropriation Projections

Medicaid

- ❑ Fastest growing portion of the General Fund budget
- ❑ FY 2014 and FY 2015 based on the Medicaid Forecasting Group's estimates from November 2013.
- ❑ Assumes FMAP Rate will remain at 56.14%.
- ❑ Assumes enrollment and utilization will increase at 4.0% annually.
- ❑ Projection incorporates continued use of non-General Fund sources of revenue for the Medicaid Program.
- ❑ Resulting projection assumes an average annual growth rate of 4.8% for FY 2016 to FY 2020.

Appropriation Projections

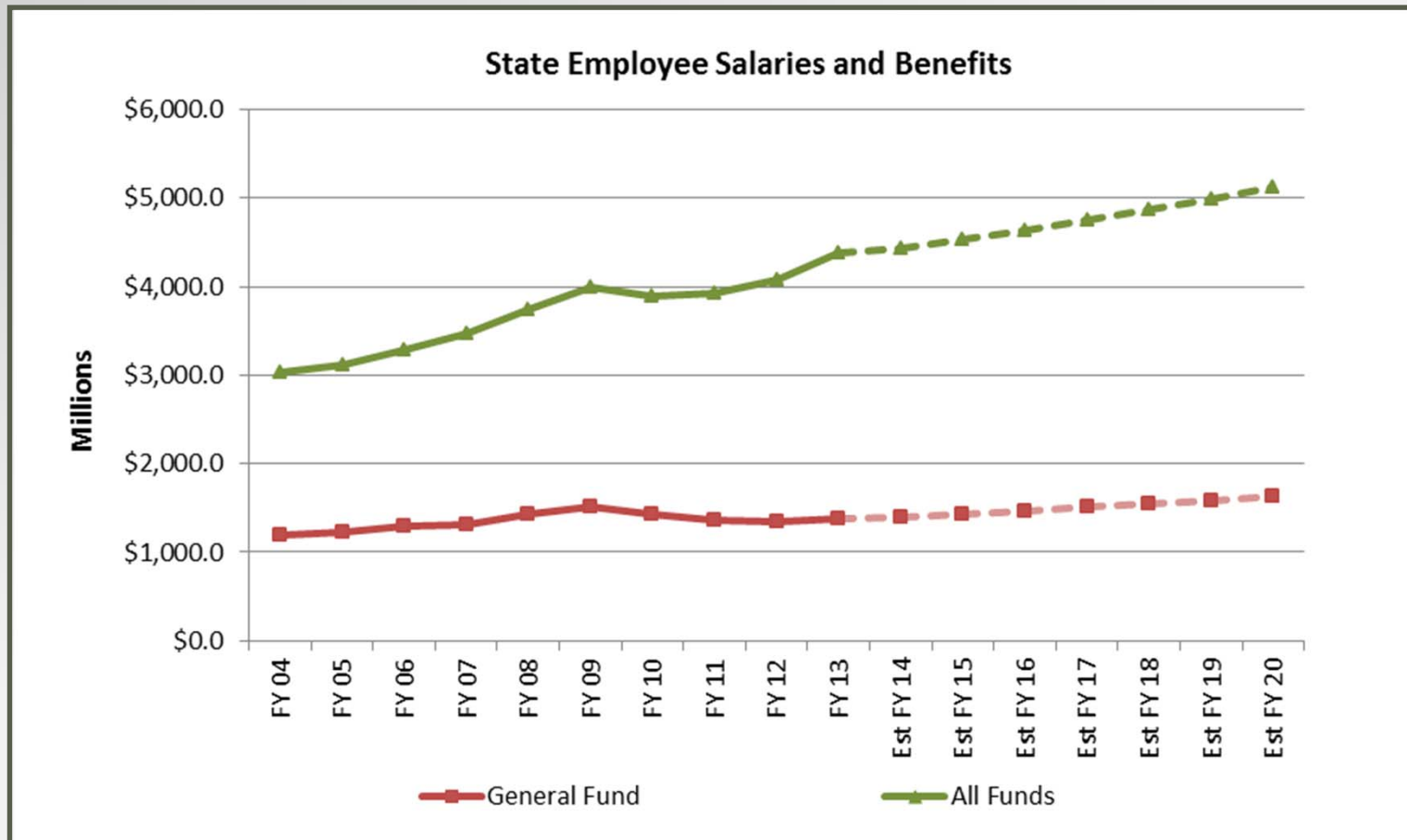


Appropriation Projections

State Employee Salaries and Benefits

- ❑ From FY 2004 to FY 2013, state employee salaries and benefit funded from the General Fund grew at an average annual rate of 1.6%.
- ❑ Salaries and benefit funded from all sources grew at a faster rate of 4.2% during this period.
- ❑ For the FY 2016 to FY 2020, salaries are projected to grow at a rate of 2.5%. Similar to the rate of growth in salaries and benefits from all funding sources for the five year period of FY 2009 – FY 2013.

Appropriation Projections



Appropriation Projections

Other State Programs and Operational Costs

- ❑ From FY 2004 to FY 2013, all other appropriations not included in the previous three categories, grew at an average annual rate of 1.4%.
- ❑ For the FY 2016 to FY 2020, these expenditures are projected to grow at the current rate of inflation of 1.7%.

Appropriation Projections

Commercial Property Tax

Projected Property Tax Reimbursement

(Dollars in Millions)

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Commercial/Industrial Reimbursement	\$ 78.7	\$ 162.5	\$ 153.7	\$ 153.7	\$ 153.7	\$ 153.7
Commercial/Industrial/Rail Property Tax Credit	50.0	100.0	125.0	125.0	125.0	125.0
Total General Fund Appropriations	<u>\$ 128.7</u>	<u>\$ 262.5</u>	<u>\$ 278.7</u>	<u>\$ 278.7</u>	<u>\$ 278.7</u>	<u>\$ 278.7</u>

Appropriation Projections

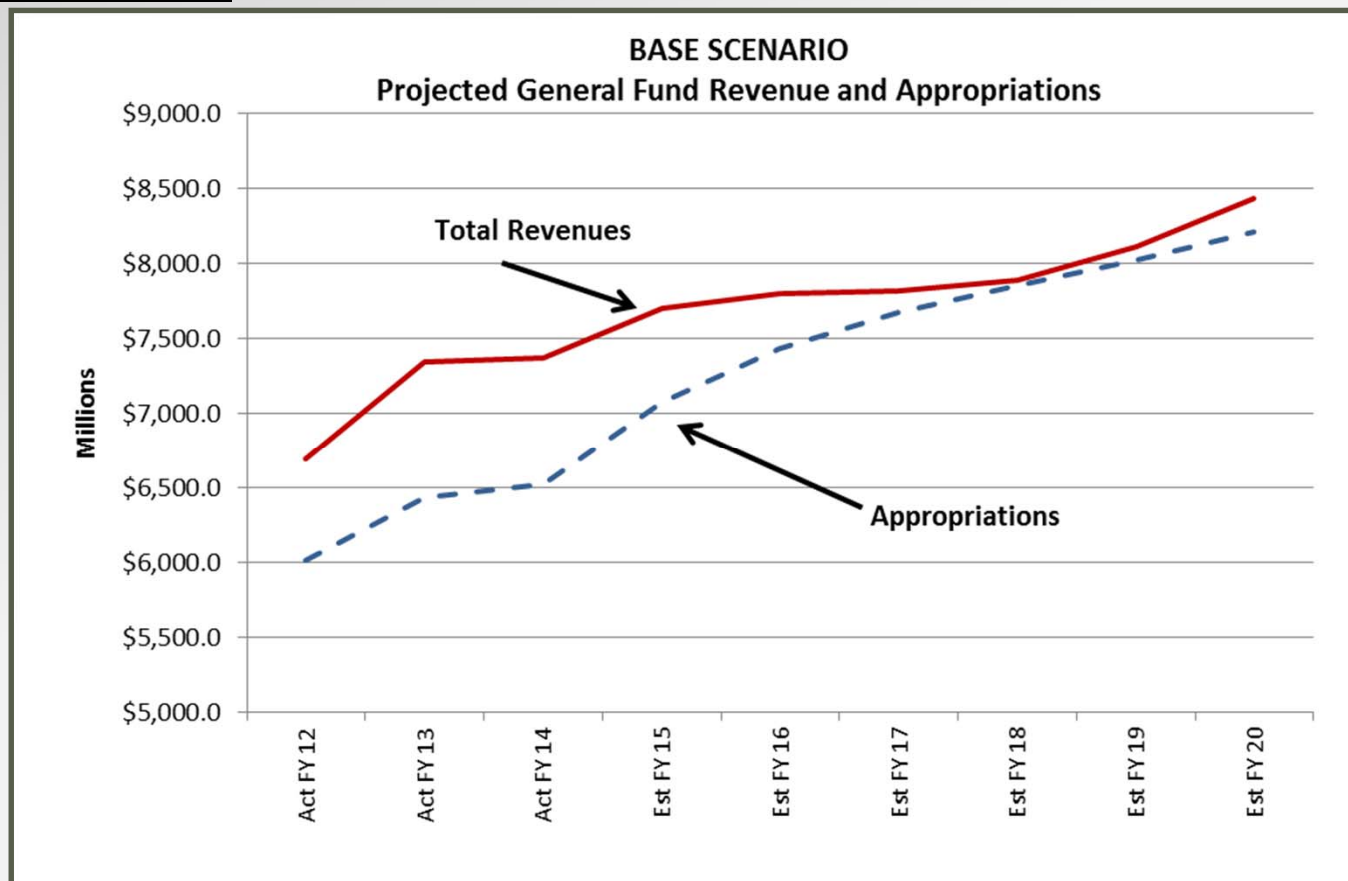
Education Reform

Education Reform (Dollars in Millions)						
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Teacher Leadership Grants and Aid	\$ 50.0	\$ 50.0	\$ 50.0	\$ 0.0	\$ 0.0	\$ 0.0
High Need School Supplemental Aid	10.0	10.0	10.0	10.0	10.0	10.0
Total General Fund Appropriations	<u>\$ 60.0</u>	<u>\$ 60.0</u>	<u>\$ 60.0</u>	<u>\$ 10.0</u>	<u>\$ 10.0</u>	<u>\$ 10.0</u>
Funded through School Aid Formula ¹	<u>\$ 0.0</u>	<u>\$ 49.3</u>	<u>\$ 98.6</u>	<u>\$ 147.9</u>	<u>\$ 147.9</u>	<u>\$ 147.9</u>

¹ HF 215 incorporates the appropriations to school districts for Teacher Leadership Grants into the School Aid formula for the next fiscal year. For this report, these estimates are included in the State School Aid projection.

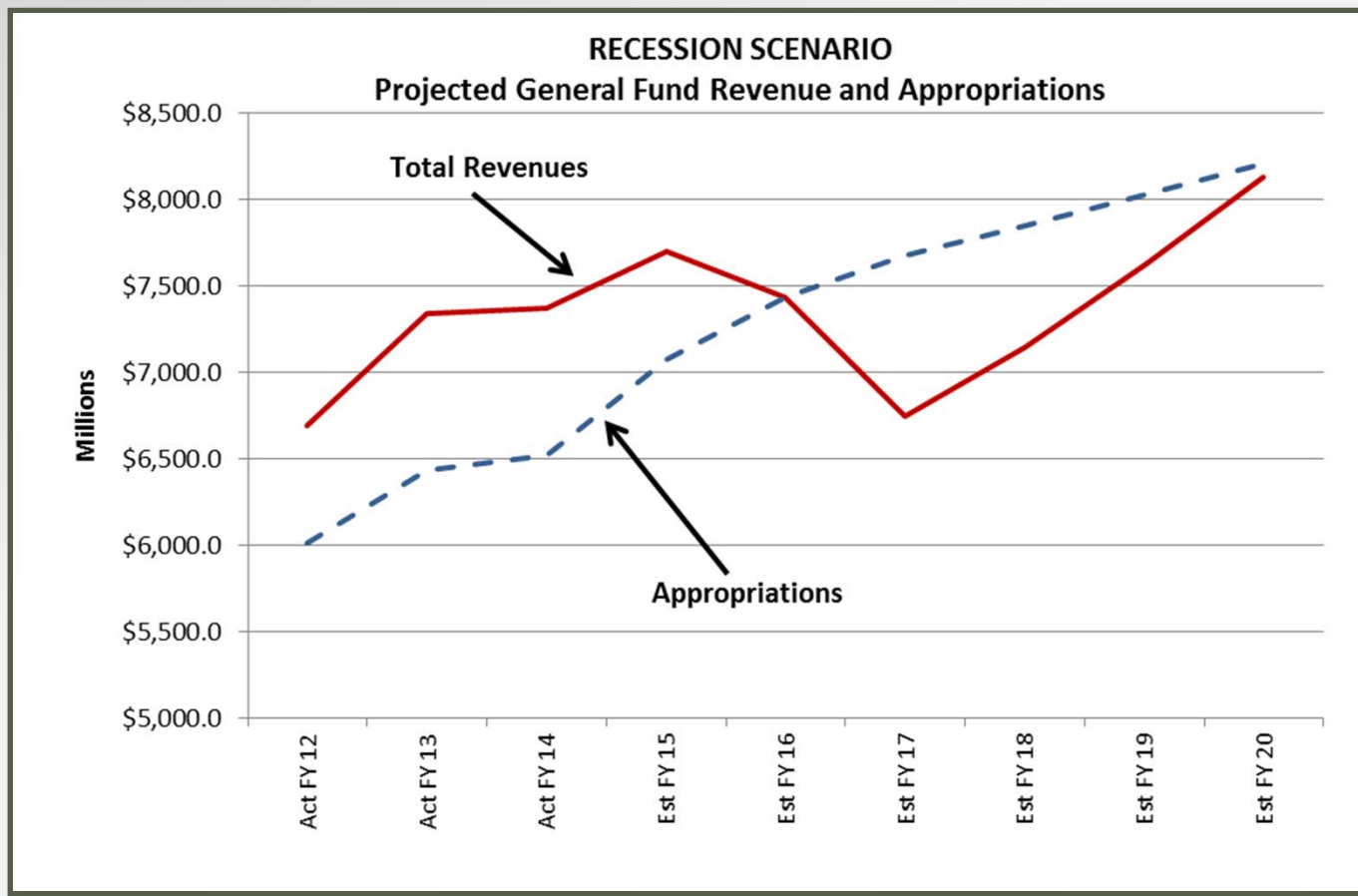
Findings

Base Scenario



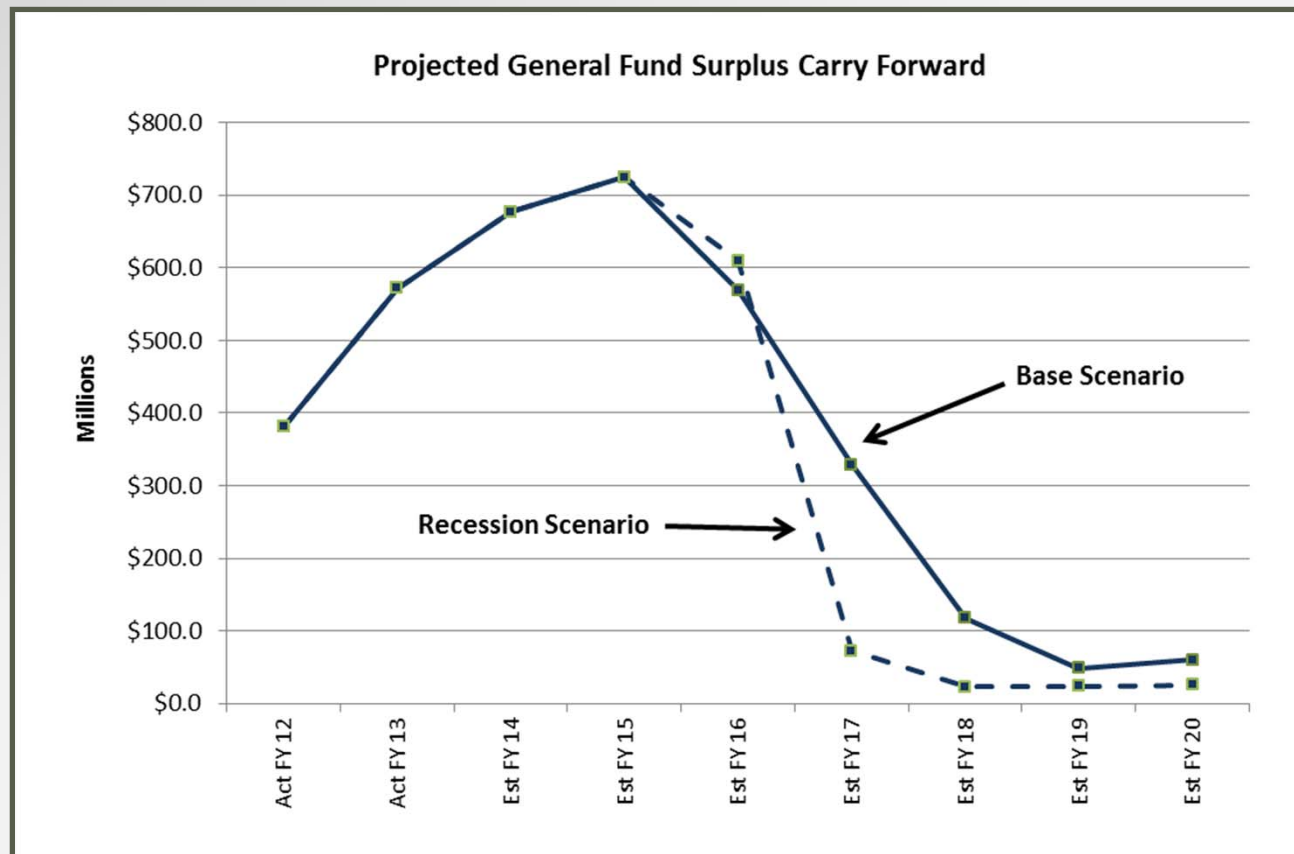
Findings

Recession Scenario



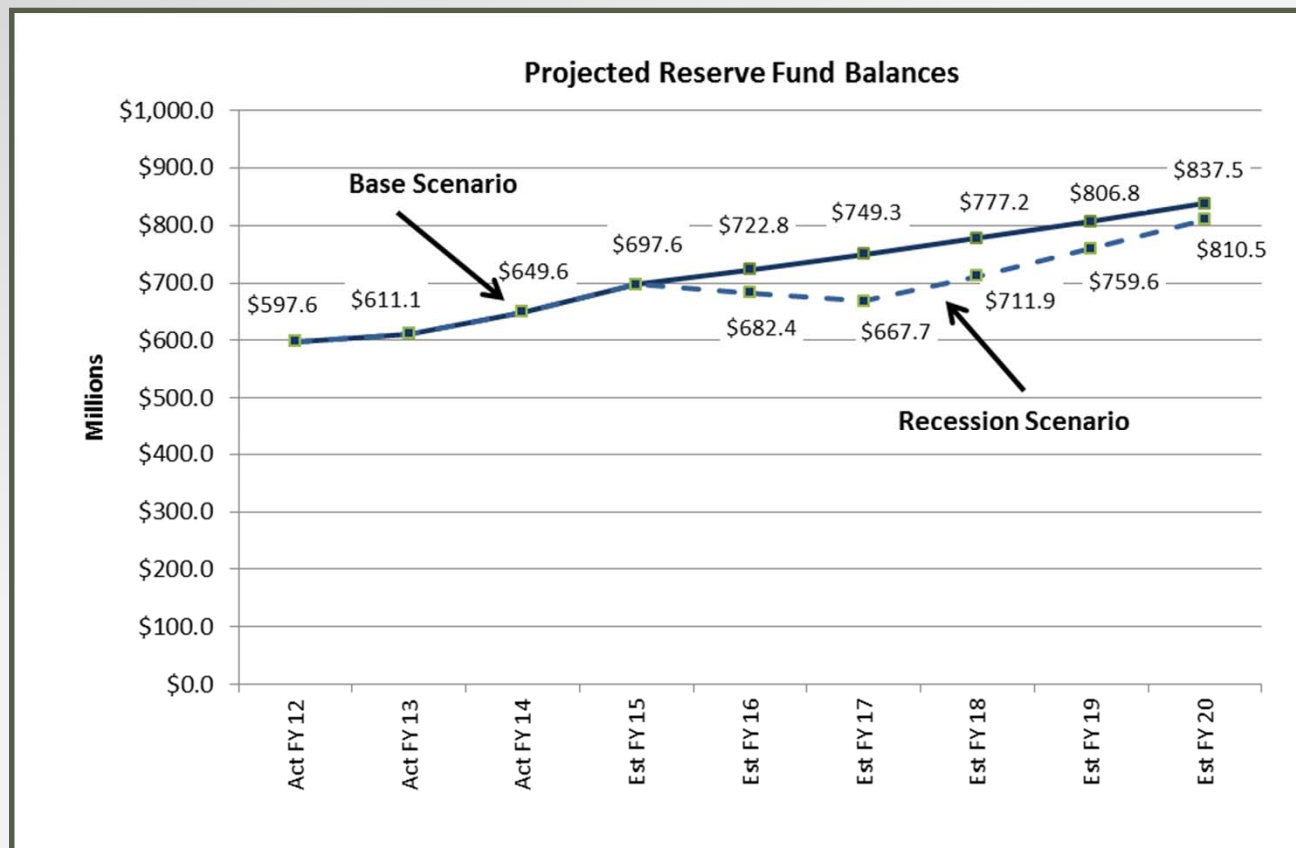
Findings

Surplus Carry Forward



Findings

Reserve Fund Balances



Base Scenario
State of Iowa
General Fund Budget Projection
(Dollars in Millions)

	Actual FY 2012	Actual FY 2013	Est FY 2014	Est FY 2015	Est FY 2016	Est FY 2017	Est FY 2018	Est FY 2019	Est FY 2020
Funds Available:									
Receipts	\$ 6,311.1	\$ 6,768.8	\$ 6,695.3	\$ 6,976.6	\$ 7,241.7	\$ 7,502.8	\$ 7,778.4	\$ 8,067.6	\$ 8,374.2
Revenue Adjustments									
Contingent Liabilities					-13.6	-9.1	-6.2	0.0	0.0
Tax Law Changes					0.0	0.0	0.0	0.0	0.0
Subtotal Receipts	\$ 6,311.1	\$ 6,768.8	\$ 6,695.3	\$ 6,976.6	\$ 7,228.1	\$ 7,493.7	\$ 7,772.2	\$ 8,067.6	\$ 8,374.2
Surplus Carry Forward	381.4	572.1	677.7	724.7	569.6	328.8	117.6	48.1	59.8
Total Funds Available	\$ 6,692.5	\$ 7,340.9	\$ 7,373.0	\$ 7,701.3	\$ 7,797.7	\$ 7,822.4	\$ 7,889.9	\$ 8,115.7	\$ 8,434.0
<i>Expenditure Limitation</i>				7,631.5	7,725.4	7,747.5	7,812.1	8,035.0	8,350.2
Appropriations and Expenditures:									
State Aid to Schools	2,623.8	2,709.8	2,716.9	2,887.7	2,992.2	3,098.4	3,197.5	3,240.1	3,289.1
Medicaid	903.5	976.0	1,172.2	1,282.9	1,344.4	1,410.5	1,479.1	1,550.4	1,624.7
State Employee Salaries and Benefits	1,352.8	1,384.7	1,402.1	1,435.8	1,471.7	1,508.5	1,546.2	1,584.8	1,624.5
Other State Programs & Operations	1,132.4	1,361.1	1,229.0	1,282.1	1,301.3	1,320.9	1,340.9	1,361.2	1,381.8
Education Reform				60.0	60.0	60.0	10.0	10.0	10.0
Commercial Property Tax Appropriations				128.7	262.5	278.7	278.7	278.7	278.7
Subtotal	\$ 6,012.5	\$ 6,431.6	\$ 6,520.2	\$ 7,077.2	\$ 7,432.0	\$ 7,676.9	\$ 7,852.3	\$ 8,025.2	\$ 8,208.7
Adjustment to Meet Expenditure Limit				0.0	0.0	0.0	-40.1	0.0	0.0
Total Appropriations	\$ 6,012.5	\$ 6,431.6	\$ 6,520.2	\$ 7,077.2	\$ 7,432.0	\$ 7,676.9	\$ 7,812.1	\$ 8,025.2	\$ 8,208.7
Reversions	-8.1	-18.6	-14.4	-5.2	-5.0	-5.0	-5.0	-5.0	-5.0
Net Appropriations	\$ 6,004.4	\$ 6,413.0	\$ 6,505.8	\$ 7,072.0	\$ 7,427.0	\$ 7,671.9	\$ 7,807.1	\$ 8,020.2	\$ 8,203.7
Ending Balance - Surplus	\$ 688.1	\$ 927.9	\$ 867.2	\$ 629.3	\$ 370.7	\$ 150.5	\$ 82.7	\$ 95.5	\$ 230.3

Recession Scenario
State of Iowa
General Fund Budget Projection

(Dollars in Millions)

	Actual FY 2012	Actual FY 2013	Est FY 2014	Est FY 2015	Est FY 2016	Est FY 2017	Est FY 2018	Est FY 2019	Est FY 2020
Funds Available:									
Receipts	\$ 6,311.1	\$ 6,768.8	\$ 6,695.3	\$ 6,976.6	\$ 6,837.1	\$ 6,687.0	\$ 7,125.3	\$ 7,596.1	\$ 8,105.0
Revenue Adjustments									
Contingent Liabilities					-13.6	-9.1	-6.2	0.0	0.0
Tax Law Changes					0.0	0.0	0.0	0.0	0.0
Subtotal Receipts	\$ 6,311.1	\$ 6,768.8	\$ 6,695.3	\$ 6,976.6	\$ 6,823.5	\$ 6,677.9	\$ 7,119.1	\$ 7,596.1	\$ 8,105.0
Surplus Carry Forward	381.4	572.1	677.7	724.7	610.0	72.5	22.6	23.5	25.1
Total Funds Available	\$ 6,692.5	\$ 7,340.9	\$ 7,373.0	\$ 7,701.3	\$ 7,433.5	\$ 6,750.4	\$ 7,141.7	\$ 7,619.6	\$ 8,130.1
<i>Expenditure Limitation</i>				7,631.5	7,365.2	6,683.7	7,070.5	7,543.6	8,049.0
Appropriations and Expenditures:									
State Aid to Schools	2,623.8	2,709.8	2,716.9	2,887.7	2,992.2	3,098.4	3,197.5	3,240.1	3,289.1
Medicaid	903.5	976.0	1,172.2	1,282.9	1,344.4	1,410.5	1,479.1	1,550.4	1,624.7
State Employee Salaries and Benefits	1,352.8	1,384.7	1,402.1	1,435.8	1,471.7	1,508.5	1,546.2	1,584.8	1,624.5
Other State Programs & Operations	1,132.4	1,361.1	1,229.0	1,282.1	1,301.3	1,320.9	1,340.9	1,361.2	1,381.8
Education Reform				60.0	60.0	60.0	10.0	10.0	10.0
Commercial Property Tax Appropriations				128.7	262.5	278.7	278.7	278.7	278.7
Subtotal	\$ 6,012.5	\$ 6,431.6	\$ 6,520.2	\$ 7,077.2	\$ 7,432.0	\$ 7,676.9	\$ 7,852.3	\$ 8,025.2	\$ 8,208.7
Adjustment to Meet Expenditure Limit				0.0	-66.8	-993.3	-781.8	-481.6	-159.6
Total Appropriations	\$ 6,012.5	\$ 6,431.6	\$ 6,520.2	\$ 7,077.2	\$ 7,365.2	\$ 6,683.7	\$ 7,070.5	\$ 7,543.6	\$ 8,049.0
Reversions	-8.1	-18.6	-14.4	-5.2	-5.0	-5.0	-5.0	-5.0	-5.0
Net Appropriations	\$ 6,004.4	\$ 6,413.0	\$ 6,505.8	\$ 7,072.0	\$ 7,360.2	\$ 6,678.7	\$ 7,065.5	\$ 7,538.6	\$ 8,044.0
Ending Balance - Surplus	\$ 688.1	\$ 927.9	\$ 867.2	\$ 629.3	\$ 73.2	\$ 71.8	\$ 76.2	\$ 81.0	\$ 86.1

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